



High-Level Panel on Closing the Crisis Protection Gap

CONCEPT

After nearly 20 years of internationally supported action on pre-arranged finance, there are still very few compelling examples of this having delivered transformational impact for people, with no parts of these actions yet performing well at scale. The international system has performed relatively well at providing financial coverage for government budgets in upper- and middle-income countries, and very poorly at providing coverage and delivering impact for people, particularly in low income, fragile and conflict-affected settings.

The Centre for Disaster Protection is therefore convening in 2024 a High-Level Panel to articulate for the first time a clear and compelling integrated and interlinked vision and operational roadmap for closing the difference between total expected contingent liabilities of national or international responders (i.e. the costs they can expect to incur in responding to crises) and the expected funding available to meet these costs through pre-arranged financing mechanisms. The High-Level Panel on Closing the Crisis Protection Gap is a flagship initiative of the Centre for Disaster Protection.

RATIONALE

As the climate crisis unfolds, the consequences of climate change induced disasters will become more frequent and severe (IPCC 2022). A warming climate is driving a further widening of the crisis protection gap, both by increasing the costs of disasters and contributing to growing affordability challenges. Notably, for finance ministries, climate risks could have wide-ranging impacts on public finances. Many low-income countries are highly vulnerable to budgetary disruption following disasters, which can have a detrimental impact on development objectives and macroeconomic stability.

Yet the way the international crisis financing system continues to pay for and respond to climate and disaster related risks for vulnerable people and countries remains flawed.

Global leaders have pledged to increase the amount of finance to support the most vulnerable countries to adapt to prepare for a predicted doubling of the human and financial cost of climate and weather-related disasters by 2050.

However, this promise is far off track. Currently it is unclear even how much pre-arranged finance is required to protect crisis-vulnerable people against risk, or how much coverage there is in place. The world is far from achieving adequate coverage, targeted to the right places, for those people most at risk.

Furthermore, even minor improvements in the arrangements for pre-arranged financing could significantly increase the predictability, speed, and effectiveness of responses to shocks, and reduce the human and economic impacts of crises. Yet while widely understood, the potential of pre-arranged finance as a powerful catalyst for strengthened disaster prevention and preparedness has not yet been fully unlocked.

In this context, also considering the evolving humanitarian, climate, and development finance reform landscape, and the pressing need to increase resources available to climate and disaster vulnerable countries, the Centre for Disaster Protection has identified a significant opportunity to improve the arrangements for pre-arranged finance in the international crisis financing architecture.

HIGH-LEVEL PANEL AND WORKING GROUPS

With the greater focus being placed on the effectiveness of partnerships between developing and developed countries within the international system, the time is right to create and maintain a positive, unified vision and sense of urgency for action on closing the crisis protection gap through pre-arranged finance.

The High-Level Panel will explore potentially game-changing reforms and changes which can be rapidly and concretely operationalized to transition from the current approaches, towards a significantly increasing the speed, scale, and effectiveness of pre-arranged finance.

In 2024, the High-Level Panel will:

1. Take stock of the crisis protection gap and how pre-arranged finance is currently being conceived and deployed worldwide to close it to establish a renewed vision, justification, and boundaries for the future of disaster risk finance;
2. Surface key stakeholder insights and survey the landscape opportunities around global policy processes, leading thinking and initiatives to inform a series of interlinked actions to improve the vision and operations of a wide range of disaster risk financing stakeholders; and
3. Formulate a series of interlinked recommendations centred around a call for significantly improved coherence, efficiency, effectiveness and scale in arrangements focused on pre-arranged finance.

To achieve these outcomes, the High-Level Panel will form working groups on the following themes:

WG1: The need for a shared vision of risk and of pre-arranged finance that spans all crisis contexts and crisis finance instruments, and is not either subsumed by Loss and Damage, or any other single-issue agenda.

WG2: Where does scale come from? What is an achievable and appropriate target for PAF? What is left out in that vision and how does that get covered? For example, should funders of crisis finance aspire and commit to measurement against a target to dedicate ~20% of international crisis financing towards pre-arranged financing (adjusted to ~10% in fragile and conflict affected settings) by 2030, up from 2.2% (and 0.2%) respectively over the 2017-2021 period?

WG3: Focus on crisis vulnerable people – delivering impact. Whilst finance will continue to be critical to the DRF agenda, we need a shared vision that defines success in terms of lives and livelihoods protected, not only amounts of contingent finance mobilised. This means international partnership to close the crisis protection gap, not just to mobilise sovereign contingent finance. It means partnership through instruments and institutions that innovate in combining money-in with money-out at a pace and in modalities relevant to the contexts. It also means a culture that welcomes constructive and creative challenges and ideas.

WG4: Focus on multilateral development banks. Asking and answering the question of the role the World Bank and regional development banks can play in scaling up pre-arranged financing.

WG5: Focus on multilateral development insurers – regionally-owned development insurers are still a tiny part of the overall system, yet have the potential to play a key role in internationally-supported pre-arranged financing. Focus on how they are funded (including premium financing), what results they are tasked with delivering, and their relationship to other parts of the architecture such as development banks and humanitarian organisations. The need for a transparent and principled approach to insurance premium support is a key issue, with decisions currently short-term, ad hoc, and sometimes uninclusive.

WG6: Focus on commercial insurance – in particular the role that retail disaster insurance, such as agricultural insurance and property catastrophe insurance, can play at the national level, and the role international development partners can play in supporting such efforts.



WG7: Focus on locally-led solutions. The system currently responds to supply side incentives that are not well aligned with the priorities and needs of crisis vulnerable people, or the need for incentivization of national systems which can shoulder the burden of response and implementation. It also ignores the reality that different categories of countries want and need different responses. A radical commitment is required from donors towards accountability, including transparency, answerability and participation, which can drive far greater alignment of DRF investments with the needs and ultimately impact.

WG8: Engagement – how and when to elevate the DRF agenda at the senior policy level in 2025 and beyond, how to convene people around this subject and set global targets, and how to use public resources to grow the whole architecture with a broader range of participants. Explore and test the appetite for a global forum on closing the crisis protection gap, which would emphasise the need for collaborations, particularly between public and private actors working on systems strengthening on the money-out side, including investments in early warning systems, social protection and public financial management systems.

In a short, targeted, final report summarising the outcomes of these Working Groups the Panel will present fresh, impactful, and targeted recommendations as to how a wide range of public and private sector institutions and leaders can further build momentum for operationalization and financing of pre-arranged finance within the fast evolving and interlinked tracks of international emergency response, reforms of the international financial architecture, and climate finance.

ABOUT THE CENTRE FOR DISASTER PROTECTION

The Centre for Disaster Protection will provide the Secretariat to the High-Level Panel, as well as undertake a complementary programme of research and thought leadership in support of this agenda.

The Centre works to prevent disasters devastating lives, by helping people, countries, and organisations change how they plan and pay for disasters. We focus on disaster risk financing to help ensure that money and plans are in place before a disaster strikes, so that the poorest and most vulnerable people are better protected.

The Centre does not sell specific disaster risk financing products and is therefore well-placed to provide independent, trusted, impartial opinions that are based on objective criteria, unbiased by personal or organisational interests or advantage. It is funded with UK aid through the UK government. Read more about us in our updated strategy (2022-2025) and find out more at www.disasterprotection.org



HIGH-LEVEL PANEL ON DEVELOPMENT INSURERS TIMELINE

March **High-Level Panel Plenary Meeting I (in-person)**

Theme: Context and Vision Setting
25-27 March 2024

Wilton Park, UK

May-June **High-Level Panel Working Group Meetings (hybrid)**

At least one two-hour meeting for each of the seven working groups, supported and prepared by the Secretariat.

June **High-Level Panel Plenary Meeting II (hybrid)**

Review of the working groups, interlinkages and ambition setting. Date TBC

June-Sept **High-Level Panel Working Group Meetings (ad hoc)**

Sept/Oct **High-Level Panel Meeting III (remote): First outcome report presentation & deliberations**

Nov/Dec **High-Level Panel Meeting IV (remote): Report Sign Off Dec/Jan**

